

MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

September 19, 2005
1st Floor Conference Room
815 SW Topeka Blvd.
Topeka, KS 66612

Members Present

Representative Carl Holmes
Senator Jay Emler
Senator Janis Lee

Member Absent

Representative Annie Kuether

Others in Attendance

See attached list

In the absence of Representative Kuether, and since the Governor had not yet made her appointments, Representative Holmes announced that a quorum of the Kansas Electric Transmission Authority (KETA) Board of Directors was not present.

Representative Holmes noted that several people were available to provide orientation presentations to the members present. He recognized Jay Caspary, Director of Engineering for the Southwest Power Pool (SPP). Mr. Caspary provided an overview of the SPP and its planning process (Attachment 1). SPP is a regional transmission organization (RTO) which makes it responsible for providing electric transmission services in its eight-state service area.

Mr. Caspary noted that in October a new plan would be presented to the SPP board (Attachment 2). That plan will address economic needs of the region. Assessing economic need involves planning for the future. The planning model used by SPP is collaborative. It involves all transmission owners.

After presenting his slides, Mr. Caspary showed the KETA members a map of transmission system upgrades necessary to move power from southwest Kansas (Attachment 3).

A KETA member asked Mr. Caspary why so many economic studies had been done in Kansas. He responded that there is significant interest in improving the transmission system in Kansas.

Representative Holmes recognized Earnie Lehman, Midwest Energy, Inc., and Earl Watkins, Sunflower Electric Power Corporation, for a presentation entitled "An Assessment of the Kansas Transmission System" ([Attachment 4](#)).

Mr. Lehman and Mr. Watkins also gave the KETA members a copy of a letter to the SPP signed by themselves and by Keith Stamm, Chief Operating Officer of Aquila, Inc. ([Attachment 5](#)). The letter requests that three Kansas projects be studied by the SPP to determine whether they would be beneficial. Those three projects are: Concordia/Lincoln/Circle 230 kV; Concordia/Lincoln/Circle 230 kV and Hutchinson/Wichita 345 kV (also study with Series Compensation on the Morris/Summit 230 kV line); and Spearville/Knoll/Phillipsburg/Axtell, Nebraska 345 kV. A map showing those proposed projects was provided to the members ([Attachment 6](#)).

In response to a question, the Lincoln/Circle/Concordia project was identified as the first priority of the companies requesting the SPP studies. In regard to the three priority projects described in the letter, the companies hope to show that those projects are worth the investment. In order to avoid financing arguments from an economic standpoint, investors need to see that costs can be recovered within ten years without going outside the system. The time line on a particular project is long because even once a project is approved, right-of-way acquisition can take two to three years.

In response to another question, Mr. Caspary addressed SPP's time frame for undertaking the requested studies. He responded that the reliability studies are completed and that there are a number of economic models. He said officials with the SPP hope to have the analysis done in October. He noted that the projects are interrelated and that solving one constraint will reveal another. He also noted that the Summit/Wichita project was on the SPP list and that it has been examined. He said that project is not a priority because it does not meet economic benefit standards.

A question was raised regarding who would pay for the proposed Pauline/Concordia/Summit line. Mr. Caspary responded that Nebraska is interested in paying up to the amount of benefit realized. He noted that project was identified in a Midwest Independent System Operator (MISO) benefit study a number of years ago.

Larry Holloway, Kansas Corporation Commission (KCC), noted that one of the primary issues at SPP is who pays for projects. He said that SPP had developed a base plan for funding. He also stated that the KCC's involvement is as a member of the SPP's state-regional committee. He noted that a compromise method for allocating costs has been developed for application to economic upgrades. The question now is what you get if you pay for economic upgrades.

A member asked what role KETA would play in any of these proposed new projects. One response was that KETA may be able to access low-cost financing that may make a marginal project economically viable within the ten-year payback period. Mr. Lehman added that KETA may play a role if there is a beneficial project that a company is not willing to build. KETA may provide a forum for facilitating moving forward on a project.

In response to another question, the KCC's role was described as (1) being sure that there are actual economic benefits to be had from a project; and (2) doing the rate design for the new facility. The latter was described as an "ugly job" because it is often difficult to determine who benefits from cost savings attributable to a new line. The SPP Cost Allocation Working Group is engaged in that effort now.

A member commented that KETA would have to be sure that any debt would be paid. Mr. Holloway commented that the KCC can ensure that the debt will be paid, but the challenge is seeing to it that the benefits are received. For economic upgrades that become reliability upgrades, the SPP will ensure that the project is paid for as part of the base plan.

Mr. Caspary noted that the results of the economic analysis on the three requested projects are anticipated by the end of October. He said a report will be presented. Mr. Lehman commented that customers' costs will go up and that new lines will go across someone's land.

Representative Holmes asked for comments from members of the public present.

Mike Jacobs with the American Wind Energy Association remarked that SPP's initial allocation of costs is acceptable to them at this time. Members of the Association are willing to pay for benefits they would get from projects.

Wayne Walker of Horizon Wind Energy expressed support for KETA and indicated its actions would be monitored.

Representative Holmes distributed copies of a draft of temporary bylaws for KETA members to consider.

The next meeting of KETA was tentatively scheduled for October 27. Mr. Caspary indicated that would be a good time for SPP to provide information on its studies.

Members asked Legislative Research staff to draft a letter to the chairman of the Senate Confirmations Oversight Committee requesting expedited action on the Governor's appointees to KETA.

Approved by the Board January 4, 2006